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EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Forty-second session

PROGRESS REPORT IMPLEMENTATION OF THE RECOMMENDATIONS OF THE BOARD OF AUDITORS AND THE RELATED RECOMMENDATIONS OF THE ACABQ FOR THE YEAR ENDING 31 DECEMBER 1989

GE.91-01973

ACTION TAKEN

1. Pursuant to General Assembly resolution 45/235, the executive heads of United Nations organizations and programmes are required to submit to their respective governing bodies detailed progress reports on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and to explain if any of those recommendations have not yet been implemented.

2. The same resolution similarly invites the governing bodies of organizations and programmes for which audited financial statements have been considered by the General Assembly to ensure that full consideration is given to the reports of the Board of Auditors and the ACABQ, and the comments made thereon in the Fifth Committee, with a view to taking appropriate remedial measures.

3. Paragraphs and headings referred to in the following narrative reflect those contained in the recommendations of the Report of the Board of Auditors presented to the forty-first session of the Executive Committee (A/AC.96/755 pp. 68 and 69, para. 5; see also A/45/457, paras. 13, 17 and 20). Related comments of the Advisory Committee on Administrative and Budgetary Questions (A/45/570) are also noted, as well as cross references to comments on the recommendations of the Board of Auditors made in the Fifth Committee (A/C.5/45/SR.4, paras. 7-11 and 30). The Report of the Fifth Committee (A/45/729) and the related Resolution adopted by the General Assembly (45/235) made no specific reference to UNHCR.

FUNDING

Para 5 (a) UNHCR should explore the possibility of obtaining guaranteed income to complement voluntary contributions which have become largely unpredictable in the light of growing needs. We also reiterate the recommendation in the Board's previous report that UNHCR should intensify its efforts to extend fund raising activities to non-traditional sources in order to broaden its income base (see para. 22 of the Audit Report). For related interventions in the Fifth Committee, see A/C.5/45/SR.9, paras. 3, 15 and A/C.5/45/SR.10, para. 70.

UNHCR Action: **The issues raised in this recommendation were also considered by an Executive Committee Temporary Working Group which reviewed the question of UNHCR's funding mechanisms and put forward a number of recommendations which were subsequently endorsed by the Extraordinary Session of the Executive Committee in May 1990. These recommendations are contained in document A/AC.96/742, paragraph 40 (h - k). The Executive Committee at its Session in October 1990, also looked into the question of funding mechanisms and fund raising (A/AC.96/760, para. 29). Furthermore, in order to have as broad and thorough a perspective of its funding mechanisms as possible, the Office decided, following consultations with the Executive Committee, to engage the services of an external expert consultant to carry out an in-depth study of UNHCR's funding mechanisms. The terms of reference of the study/consultant were brought to the attention of the Executive Committee at its forty-first session.**

Accordingly, the Funding Center (Washington, D.C., USA) was engaged in late 1990, to undertake an evaluation of the overall effectiveness of UNHCR's fund raising functions. The Funding Center's subsequent report, "An Analysis and Evaluation of the Fund Raising Function of UNHCR", was submitted to the Office in mid-April 1991. As of July 1991, the Office had just begun its own internal review/consideration of the consultant's study. The executive summary of the Report and its recommendations have already been shared with the Executive Committee in order to facilitate a preliminary exchange of views within the Sub-Committee on Administrative and Financial Matters.

SIMPLE TRANSFERS

Para 5 (b) Funds channelled through UNHCR as "simple transfers" to third parties should be adequately monitored to ensure that they are utilized only for activities consistent with the aims and policies of UNHCR and the UN. Such funds may also attract appropriate administrative charges (see para. 25 of the Audit Report). The ACABQ also agreed with these recommendations (A/45/570, para. 54). For related comments in the Fifth Committee, see A/C.5/45/SR.4, para. 13; A/C.5/45/SR.10, paras. 6 and 71 and A/C.5/45/SR.11, para. 1.

UNHCR Action: To assure monitoring of the purpose of "simple transfers", for each transfer, the donor is required to provide, in writing, a range of information related to the proposed transfer: why the contribution cannot be made directly to the beneficiary; the purpose of the contribution; a guarantee that the funds will be used exclusively for assistance to refugees, etc. These requirements were communicated to relevant donors by letter on 16 May 1990.

A levy of 0.5 per cent for administrative charges on donors for such transfers has been implemented. The explanation for such a levy was given to Executive Committee members by letter on 19 April 1990.

FOOD ASSISTANCE

Para 5 (c) UNHCR should examine the feasibility of disclosing in an annex to the financial statements the relevant data on its global food assistance programmes (see para. 30 of the Audit Report).

UNHCR Action: In relation to this recommendation, it might be noted that an Executive Committee Temporary Working Group also addressed this issue in its Report (A/AC.96/742).

The Executive Committee Temporary Working Group recommended that:

> "to ensure that the volume and estimated value of food commodities, and whether these will be provided through the World Food Programme (WFP), UNHCR or others, be clearly indicated by country programme in the documents presented to the

Executive Committee together with its internal transportation, storage and handling (ITSH) costs" (para. 39 (t) of document A/AC.96/742).

In document A/AC.96/751 (Parts I to V) the Office provided the Executive Committee for its forty-first session, under the relevant country chapters, basic information on the matters mentioned in the above recommendation.

Furthermore, an "Information Paper on the World Food Programme's Refugee Relief Operations and Joint WFP/UNHCR Collaboration" was presented to UNHCR's Sub-Committee on Administrative and Financial Matters (October 1990). Annexes I - IV of this document gave details of tonnages, costs, beneficiaries, etc.

The above steps go a considerable way towards the implementation of the audit recommendation. Given the difficulty that UNHCR has in receiving all the relevant information in time for the presentation of the Executive Committee documentation (the WFP paper was only presented on 27 September 1990), the challenge remains of integrating all this information into a comprehensive document.

ROTATION POLICY

Para 5 (d) — In view of high costs, the frequency in the reassignment of staff in the implementation of the staff rotation policy should be reviewed to maximize the intended benefits, with minimum cost (see para. 47 of the Audit Report). The ACABQ endorsed the recommendations of the Board of Auditors on this subject (A/45/570, para. 55).

UNHCR Action: The UNHCR Sub-Committee on Administrative and Financial Matters has been considering the question of human resource management in UNHCR. One element in its deliberations has been the question of rotation policy. At its 3 May 1991 meeting, the Sub-Committee had available to it a conference room paper which dealt, inter alia, with rotation policy. The review of the rotation policy is still in progress.

REPORTING/FOOD PURCHASES

Para 5 (e) — Steps should be taken to stream-line the reporting and payment procedures of cash-for-food contributions to

accelerate reimbursement from donors for food purchases and related costs (see para. 60 of the Audit Report). The ACABQ endorsed the Auditors' recommendation that the reporting and payment procedures be streamlined in order to obtain expeditious reimbursement from donors for food purchases and related costs (A/45/570, para. 57). The ACABQ also supported the Auditors' comments in para. 60 of its Report relating to the recording and reporting on ITSH contributions to WFP on behalf of UNHCR. It also agreed on the need to improve the monitoring of the same, and for the timely submission of such claims to WFP by UNHCR, as well as on the need for the prompt transfer of such contributions to UNHCR (A/45/570, para. 58). For related comments in the Fifth Committee, see A/C.5/45/SR.9, para.22 and A/C.5/45/SR.10, paras. 71 and 72.

UNHCR Action: On 22 January 1991, a memorandum (IOM/011/91 - FOM/009/91) was sent to all UNHCR Representatives, Chargés de Mission and all Directors, Chiefs of Section and Heads of Desks at Headquarters on the subject of "Reporting Requirements concerning Goods Shipped to Refugee Programmes". The memorandum pointed out that delays in receiving necessary reports "are affecting, inter alia , our reporting to donors and have also drawn strong criticism from both internal and external auditors". The memorandum covered Receiving Reports, Taking Over Certificates (EEC) and Distribution Reports. In the case of Receiving Reports, the memorandum stressed that these must be returned to Headquarters within 30 days of receipt of goods at the destination mentioned on the Shipping/Insurance Advice Form. Likewise, Distribution Reports must be issued within 30 days of the completion of distribution to beneficiaries.

Similarly, the memorandum pointed out that an EEC Taking Over Certificate (TOC) must be issued upon receipt of EEC in-kind donations within 15 days of the goods having been "made available".

PROJECT EXPENDITURES

Para 5 (f) The limitations in the monitoring of project expenditures imposed by inadequate staff resources and other budgetary constraints, make it obligatory for the establishment of effective arrangements to ensure that project funds administered by implementing agencies are adequately monitored and efficiently

controlled (see paras. 65, 66 and 67 of the Audit Report).

The ACABQ, in relation to the monitoring of project expenditures, underlined the need for agreements with implementing partners to include a provision for the submission of certified audited accounts and that this provision be enforced (A/45/570, para. 59). For related comments in the Fifth Committee, see A/C.5/45/SR.4, para. 7 and A/C.5/45/SR.8, para. 19.

UNHCR Action: **A new project agreement has been designed which makes the provision of certified/audited accounts obligatory. The nature of UNHCR's operations, however, particularly its heavy reliance on implementing partners for the execution of projects, will mean that the monitoring and control of project funds administered by implementing agencies will always pose a challenge. The management letter on the interim audit for the period ending 31 December 1990, again highlights this problem.**

VOLUNTARY CONTRIBUTIONS

Para 5 (g) UNHCR should always ensure that voluntary contributions are only accepted and utilized in a manner consistent with the Financial Regulations of the United Nations, the Financial Rules for Voluntary Funds and, where relevant, with UN Staff Regulations and Rules (see paras. 98, 99 and 100 of the Audit Report). For related comments in the Fifth Committee, see A/C.5/45/SR.4, para. 13, A/C.5/45/SR.8, para. 17 and A/C.5/45/SR.10, paras. 6 and 71.

UNHCR Action: **This recommendation envisaged better controls and greater transparency in reporting on Trust Funds, especially the Unearmarked Trust Fund. The Unearmarked Trust Fund no longer exists. Both the 1989 and the 1990 Income and Expenditure statement seek to improve presentation of trust funds in the Annual Accounts. Further refinements in this regard have been arrived at in 1991 in consultations with the Board of Auditors.**

FIELD OFFICES/ADMINISTRATIVE AND PROGRAMME COSTS

Para 5 (h) The Administration should continue with its review of the status of Field Offices in order to reduce

administrative costs on country programmes with the view to achieving an acceptable balance between administrative and programme costs (see para. 45 of the Audit Report). For related comments in the Fifth Committee, see A/C.5/45/SR.10, para. 74 and A/C.5/45/SR.11, para. 1.

UNHCR Action: **The context of this audit comment was the Board's reference to a list of nine countries in which administrative budgets were higher than programme budgets in 1989. UNHCR is conscious of the concerns expressed by the Auditors. The existence of an office, however, is often determined by protection needs and these needs are not reflected in programme costs.**

NON-EXPENDABLE PROPERTY

Para 5 (i) With regard to non-expendable property, procedures for the proper disposal of items at the closure of projects should be strictly enforced (see paras. 71 and 105 of the Audit Report). For a related comment in the Fifth Committee, see A/C.5/45/SR.10, para. 73.

UNHCR Action: **A new model agreement to cover the disposal of this property has been drawn up and now forms part of the UNHCR Manual. This format is intended to assist Field Offices in drawing up proper agreements for the disposal of project non-expendable property either during or at the end of a project.**